

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 EUR-12 NEA-10 ISO-00 FEA-01 AGRE-00

CEA-01 CIAE-00 DODE-00 FRB-03 H-01 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15

STR-05 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

DHA-05 JUSE-00 /113 W

-----072472 131048Z /14

R 130810Z SEP 77

FM USINT BAGHDAD

TO SECSTATE WASHDC 4996

INFO USDOC WASHDC

AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY AMMAN

AMEMBASSY BONN

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY PARIS

AMEMBASSY RABAT

AMEMBASSY SANA

AMEMBASSY TEL AVIV

AMEMBASSY TRIPOLI

C O N F I D E N T I A L SECTION 1 OF 2 BAGHDAD 1617

E.O. 11652: GDS

TAGS: ETRD, IZ

SUBJECT: BOYCOTT ISSUES WITH IRAQ -- WHAT IS TO BE DONE

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REF: (A) STATE 142390, (B) BAGHDAD 1562

1. SUMMARY. THE SCHEDULE FOR THE IMPLEMENTATION OF THE PROVISIONS OF THE NEW US ANTI-BOYCOTT LAW IMPOSES A TIMETABLE FOR REDUCING US-IRAQI DIFFERENCES OVER BOYCOTT ISSUES. UNLESS THE DIFFERENCES ARE RESOLVED,

US-IRAQI TRADE WILL PLUMMET AFTER THE IMPLEMENTING REGULATIONS OF THE NEW LAW TAKE EFFECT IN JANUARY AND MAY, 1978. END SUMMARY.

2. TIMETABLE FOR WORKING OUT BOYCOTT PROBLEMS. BAGHDAD 1562 OUTLINES IRAQI BOYCOTT PRACTICES ABOUT WHICH THE USG AND THE IRAQI GOVERNMENT MUST REACH SOME UNDERSTANDING IF US-IRAQI DIFFERENCES OVER BOYCOTT ISSUES ARE NOT SERIOUSLY TO DAMAGE US-IRAQI TRADE. THE PERIOD BETWEEN USDOC'S ISSUING OF THE DRAFT IMPLEMENTING REGULATIONS FOR THE NEW US ANTI-BOYCOTT LAW AND THEIR ENTERING INTO EFFECT IN JANUARY AND MAY 1978 IMPOSES A TIMETABLE FOR ACCOMMODATION. BASED ON RECENT WILLINGNESS OF GOI OFFICIALS TO DISCUSS SERIOUSLY BOYCOTT DIFFERENCES, WE ANTICIPATE THAT THE GOI WILL WANT TO PURSUE AN ACTIVE DIALOGUE ON BOYCOTT MATTERS DURING THIS PERIOD.

3. WHETHER THE OUTCOME OF THIS PROCESS WILL BE SUCCESSFUL IS PROBLEMATIC. ON THE ONE HAND, BOTH THE US AND IRAQ HAVE CONSIDERABLE TO GAIN BY RESOLUTION OF BOYCOTT DIFFERENCES: THE MUTUAL BENEFITS OF TRADE, TECHNOLOGY TRANSFER AND DEVELOPMENT OF COOPERATIVE RELATIONS. ON THE OTHER HAND, LACK OF PROMPT RESOLUTION OF DIFFERENCES THREATENS NO IMMEDIATE VITAL COMMERCIAL INTEREST OF EITHER PARTY. THE IRAQIS CAN FIND ALTERNATE

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SOURCES FOR MOST PRODUCTS CURRENTLY IMPORTED FROM THE US AND GRANT EXCEPTIONS TO THEIR BOYCOTT REGULATIONS FOR CERTAIN PRODUCTS THAT THEY PARTICULARLY WANT OR CANNOT OTHERWISE PROCURE. FOR THE US, EXPORTS TO IRAQ AMOUNT TO ONLY 0.33 PERCENT OF TOTAL US EXPORTS AND 8 PERCENT OF US EXPORTS TO NEAR EASTERN ARAB COUNTRIES IN 1976.

4. GENERAL STRATEGY: ALTHOUGH GUIDANCE IN STATE 142390 SUGGESTS DISCUSSING BOYCOTT ISSUES WITH HOST GOVERNMENTS IN THE CONTEXT OF OVERALL RELATIONS, THE US IN IRAQ HAS NO GENERAL CREDIT ON WHICH TO DRAW. IN FACT, WE MAY WANT EXPLICITLY TO SEPARATE BOYCOTT ISSUES FROM POLITICAL ISSUES BOTH BECAUSE WE MAY NOT WANT BOYCOTT DISPUTES CLUTTERING THE ISSUE OF RE-ESTABLISHMENT OF DIPLOMATIC RELATIONS AND BECAUSE WE DO NOT WANT THE IRAQIS TO FEEL BOYCOTT CHANGES ON THEIR PART REPRESENT A SIGNIFICANT POLITICAL VICTORY FOR THE US. SUCH A FEELING WOULD MAKE MORE DIFFICULT THE TYPE OF PRAGMATIC ACCOMMODATION WE SEEK. THUS, ALTERNATIVELY, WE BELIEVE THE STRATEGY FOR IRAQ SHOULD INCLUDE THE FOLLOWING ELEMENTS:

-- AN EDUCATIONAL EFFORT TO KEEP THE GOI INFORMED
AS TO ALTERNATIVES TO THEIR PRESENT REGULATIONS THAT
ARE PERMISSIBLE UNDER U.S. REGULATIONS. THE OBJECT IS
TO REDUCE BOYCOTT ISSUES TO QUESTIONS OF ACCEPTABLE
LANGUAGE.

-- EMPHASIS ON THE GROWING ISOLATION OF IRAQ
ON CERTAIN BOYCOTT ISSUES. FOR EXAMPLE, ARAB LEAGUE
BOYCOTT REGULATIONS APPARENTLY DO ALLOW MEMBERS TO
ACCEPT POSITIVE CERTIFICATES OF ORIGIN, AND MANY OTHER
ARAB LEAGUE MEMBERS ALREADY ACCEPT THEM.

-- DANGLING THE US COMMERCIAL "CARROT" IN FRONT
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OF THE IRAQIS AS OFTEN AS POSSIBLE IN ORDER TO EMPHASIZE
THE COMMERCIAL BENEFITS TO IRAQ OF CHANGES IN ITS
REGULATIONS, I.E., CONTINUED ACCESS TO THE U.S.
TECHNOLOGY IRAQ WANTS.

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C O N F I D E N T I A L SECTION 2 OF 2 BAGHDAD 1617

6. DETAILED TACTICS REGARDING THE APPLICATION OF THIS GENERAL STRATEGY MUST, OF COURSE, AWAIT THE PUBLICATION OF USDOC'S IMPLEMENTING REGULATIONS. NONETHELESS, IT NOW CONFIDENTIAL

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SEEMS EVIDENT THAT THE MOST CRIPPLING DIFFERENCES CONCERN THE THREE BOYCOTT CONDITIONS (SEE PARA 6 OF BAGHDAD 1562) IN THE RAFIDAIN BANK'S LETTERS OF CREDIT, AND THAT OUR INITIAL OBJECTIVE SHOULD BE TO SEEK CHANGES IN THESE L/C'S. AMONG THE THREE L/C PROVISIONS, WE JUDGE THAT THE GOI MAY MORE EASILY AGREE TO CHANGE ITS REQUIREMENT FOR NEGATIVE CERTIFICATES OF ORIGIN THAN AGREE TO CHANGE THE PROVISIONS REQUIRING CERTIFICATIONS THAT GOODS WILL NOT BE SHIPPED ON A BLACKLISTED STEAMER AND THAT THE FIRM IS NOT A BRANCH OR PARENT COMPANY OF A BLACKLISTED ORGANIZATION. ON THE FIRST ISSUE, THE GOI IS RELATIVELY ISOLATED IN ITS POSITION AMONG ARAB LEAGUE MEMBERS. ON THE LATTER TWO, THE IRAQIS HAVE SUPPORT AT LEAST FOR THE PRINCIPLES THAT LIE BEHIND THEM, EVEN THOUGH OTHER ARAB LEAGUE MEMBERS MAY OR MAY NOT INCLUDE SUCH SHIPPING AND INFORMATIONAL PROVISIONS IN LETTERS OF CREDIT.

7. THUS, WE BELIEVE WE MAY WANT AT SOME POINT TO SUGGEST TO THE GOI THE FOLLOWING:

-- DROPPING THE REQUIREMENT FOR NEGATIVE CERTIFICATE OF ORIGINS ALTOGETHER FROM L/C'S;

-- RELEGATING THE INFORMATIONAL ISSUES TO THE TENDERING PROCESS DURING WHICH GOI PURCHASING ORGANIZATIONS COULD REQUIRE PROSPECTIVE BIDDERS TO PROVIDE ANNUAL REPORTS, COMPANY LITERATURE, ETC., CONSIDERED "NORMAL BUSINESS INFORMATION IN A COMMERCIAL

CONTEXT." (OBVIOUSLY THE SUCCESS OF AN EFFORT TO
SHIFT THIS CERTIFICATION REQUIREMENT FROM L/C'S MAY
DEPEND TO A LARGE EXTENT ON WHAT INFORMATION US
COMPANIES CAN PROVIDE.)

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-- ADOPTING ALTERNATIVE SHIPPING LANGUAGE.
MOST DESIRABLE ALTERNATIVE WOULD BE A PROVISION
PROHIBITING SHIPMENT ON ISRAELI STEAMERS OR VESSELS
CALLING AT ISRAELI PORTS. WE WOULD, HOWEVER, APPRECIATE
GUIDANCE REQUESTED IN BAGHDAD 1405 CONCERNING
ALTERNATIVE DESCRIBED BY BOYCOTT DIRECTOR HASSAN
ABBXL HAMEED (I.E., SHIPMENT ON VESSELS NOT PROHIBITED
TO ENTER IRAQI HARBORS). WE DOUBT THAT GOI WOULD
AGREE TO ALTERNATIVES SUCH AS ORDERING GOODS FOB
OR A REQUIREMENT FOR GOI TO APPROVE SUPPLIERS'
NOMINATION OF VESSELS. SUCH ALTERNATIVES WOULD
ENTAIL ADMINISTRATIVE BURDENS THE GOI PROBABLY WOULD
NOT ACCEPT AND ARE PROBABLY INCAPABLE OF HANDLING.

8. WE HAVE LITTLE INFORMATION SO FAR AS TO WHAT THE
GOI MIGHT SUGGEST AS POSSIBLE MEANS OF ACCOMMODATION.
POLICY LEVEL OFFICIALS MOST LIKELY HAVE NOT
ADDRESSED SPECIFIC BOYCOTT ISSUES AND WILL NOT DO SO
UNTIL US IMPLEMENTING REGULATIONS ARE PUBLISHED. ONE
POSSIBLE ACCOMMODATION, HOWEVER, WHICH GOI MIGHT OFFER
AT SOME POINT, IS A "GRANDFATHER CLAUSE" SAYING THAT
GOI WILL NOT REQUIRE NEGATIVE CERTIFICATES OF ORIGIN
OR SOLICIT BOYCOTT INFORMATION FROM FIRMS WITH WHICH
IT HAS SATISFACTORILY DEALT BEFORE.

9. AS USINT AND OTHER US DIPLOMATIC ESTABLISHMENTS
IN THE ARAB WORLD APPROACH INTENSIFIED DISCUSSIONS
WITH HOST GOVERNMENTS ON BOYCOTT ISSUES, WE BELIEVE
THE FREE FLOW OF INFORMATION ABOUT BOYCOTT PRACTICES
AND POLICY POSITIONS IS ESSENTIAL. USINT WOULD
APPRECIATE INFORMATION REGARDING BOYCOTT PRACTICES
(ESPECIALLY IN REGARD TO LETTERS OF CREDIT OF OTHER
ARAB LEAGUE MEMBERSTHAT EMBASSIES HAVE PROVIDED
IN RESPONSE TO STATE 185350. WE SUGGEST THAT INR,
FOR EXAMPLE, MIGHT COMPILE THIS INFORMATION IN AN
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UPDATED VERSION OF ITS MARCH 18, 1976 REPORT (NO. 364)
ON "US ANTI-DISCRIMINATION/ANTI-BOYCOTT MEASURES AND

US MIDEAST COMMERCIAL RELATIONS."

10. SEPTTEL FOLLOWS ON HOW USINT BELIEVES USG CAN
IMPROVE CHANCES OF LEADING IRAQ TO SATISFACTORY
ACCOMMODATION ON BOYCOTT ISSUE.

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